

LAURENS MUNICIPAL LIGHT AND POWER PLANT
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

DECEMBER 31, 2009 AND 2008

LAURENS MUNICIPAL LIGHT AND POWER PLANT

LAURENS, IOWA

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LAURENS MUNICIPAL LIGHT AND POWER PLANT

LAURENS, IOWA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert O. Braesch	Trustee	April, 2011
Richard Main	Trustee	April, 2013
Brad Olsen	Trustee	April, 2015

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

We have audited the accompanying balance sheets of Laurens Municipal Light and Power Plant, a component unit of City of Laurens, as of December 31, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Utility's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laurens Municipal Light and Power Plant as of December 31, 2009 and 2008, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2010, on our consideration of Laurens Municipal Light and Power Plant's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Management's Discussion and Analysis and budgetary comparison information for 2009 on pages 5 through 8, and 22 through 23, are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

June 18, 2010

Hunzelman, Putzier & Co.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Laurens Municipal Light and Power Plant provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2009. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- The Utility's operating revenues decreased 5%, or \$130,406, from 2008 to 2009.
- The Utility's operating expenses were 8%, or \$167,412, more in 2009 than in 2008.
- The Utility's net assets decreased 4%, or \$194,959, from December 31, 2008 to December 31, 2009.

USING THIS ANNUAL REPORT

Laurens Municipal Light and Power Plant is a single Enterprise Fund and presents its financial statements using the economic resources measurement focus and accrual basis of accounting which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis are intended to serve as an introduction to Laurens Municipal Light and Power Plant's financial statements. The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Utility's financial activities.
- The Balance Sheets present information on the Utility's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.
- The Statements of Revenues, Expenses and Changes in Net Assets are the basic statement of activities for proprietary funds. This statement presents information on the Utility's operating revenues and expenses, non-operating revenues and expenses, and whether the Utility's financial position has improved or deteriorated as a result of the year's activities.
- The Statements of Cash Flows present the change in the Utility's cash and cash equivalents during the year. This information can assist the user of the report in determining how the Utility financed its activities and how it met its cash requirements.
- The Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

FINANCIAL ANALYSIS OF THE UTILITY

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of the Utility's financial position. The Utility's net assets for 2009 totaled approximately \$4,775,000. This compares to approximately \$4,970,000 for 2008. A summary of the Utility's net assets is presented below.

	<u>2009</u>	<u>2008</u>
Current assets	\$ 1,438,063	\$ 1,739,428
Other assets	1,147,519	1,341,412
Capital assets at cost, less accumulated depreciation	<u>3,506,276</u>	<u>3,662,363</u>
Total assets	<u>6,091,858</u>	<u>6,743,203</u>
Current liabilities	718,573	888,331
Non-current liabilities	<u>598,674</u>	<u>885,302</u>
Total liabilities	<u>1,317,247</u>	<u>1,773,633</u>
Net assets:		
Invested in capital assets, net of related debt	2,607,602	2,487,061
Restricted	270,161	270,826
Unrestricted – designated	261,713	246,803
Unrestricted	<u>1,635,135</u>	<u>1,964,880</u>
Total net assets	<u>4,774,611</u>	<u>4,969,570</u>
Total liabilities and net assets	<u>\$ 6,091,858</u>	<u>\$ 6,743,203</u>

A portion of the Utility's net assets (40%) are unrestricted and can be used to meet the Utility's obligations as they come due. The invested in capital assets (55%, e.g., land, buildings, and equipment), less the related debt are resources allocated to capital assets. The restricted net assets (5%) represent resources that are subject to restrictions as required by the electric revenue bond resolution.

FINANCIAL ANALYSIS OF THE UTILITY – (Continued)Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues are received for the sale of electrical energy. Operating expenses are expenses paid to operate the Utility. Non-operating revenues and expenses are primarily for interest income and interest expense. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net assets for the years ended December 31, 2009 and 2008, is presented below:

	<u>Changes in Net Assets</u>	
	<u>2009</u>	<u>2008</u>
Operating revenues:		
Sales of electrical energy	\$ 2,114,033	\$ 2,232,221
Other operating revenues	<u>189,347</u>	<u>201,565</u>
	<u>2,303,380</u>	<u>2,433,786</u>
Operating expenses:		
Cost of power	1,437,820	1,335,810
Depreciation and amortization	400,041	389,076
Administrative and general expense	244,483	241,235
Transmission expense	59,810	61,722
Distribution expenses - maintenance	71,769	55,310
Distribution expenses - operations	98,750	64,498
Taxes	29,920	28,958
Customers' accounts expense	<u>13,036</u>	<u>11,608</u>
Total operating expenses	<u>2,355,629</u>	<u>2,188,217</u>
Operating income (loss)	(52,249)	245,569
Non-operating revenue and expense:		
Revenues from merchandising	13,257	25,860
Costs of merchandising	<u>9,862</u>	<u>17,738</u>
Gross profit	3,395	8,122
Interest earned on investments	69,074	96,985
Amortization of bond issue costs	(1,941)	(2,212)
Interest expense	(50,620)	(68,983)
Loss on Sutherland Project	(89,200)	-
Deferred patronage allocation	<u>6,447</u>	<u>3,114</u>
Non-operating income (loss)	<u>(62,845)</u>	<u>37,026</u>
Change in net assets	(115,094)	282,595
Net assets, beginning of year	4,969,570	4,770,553
Less: Residual equity transfer to City - funding	(50,000)	(50,000)
Residual equity transfer to City - donation	<u>(29,865)</u>	<u>(33,578)</u>
Net assets, end of year	<u>\$ 4,774,611</u>	<u>\$ 4,969,570</u>

The Statements of Revenues, Expenses and Changes in Net Assets reflect a negative year with a decrease in the net assets from 2008 to 2009.

The Utility's operating revenues decreased 5%, or \$130,406, from 2008 to 2009 because of two major influences: 1) the economic downturn throughout the country and, 2) it was a very mild year in regards to weather.

The Utility's operating expenses increased 8%, or \$167,412, from 2008 to 2009 because of the construction and maintenance done on our local distribution system and the increased cost of power throughout the year.

FINANCIAL ANALYSIS OF THE UTILITY – (Continued)

Statements of Cash Flows

The Statements of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital and related financing, and investing activities. Cash provided by operating activities includes charges for service reduced by payments to employees and to suppliers. Cash used in capital and related financing activities includes the purchase and construction of utility plant. Cash provided by investing activities includes purchase and sale of certificates of deposits and interest income.

CAPITAL ASSETS

At December 31, 2009, the Utility had approximately \$3,506,000 invested in capital assets, net of accumulated depreciation of approximately \$6,289,000. Depreciation charges totaled \$395,196 for 2009. More detailed information about the Utility's capital assets is presented in Note 5 to the financial statements.

LONG-TERM DEBT

At December 31, 2009, the Utility had \$920,000 in debt outstanding, a decrease of \$290,000 from 2008. The table below summarizes outstanding debt by type.

	<u>2009</u>	<u>2008</u>
2008 Electric refunding notes	<u>\$ 920,000</u>	<u>\$ 1,210,000</u>

Additional information about the Utility's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS

The current condition of the economy in the state continues to be a concern for Utility officials. Some of the realities that may potentially become challenges for the Utility to meet are:

- Facilities at the Utility require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- With our customers increasing load requirements and the age of Neal 4 Generation Plant, securing additional base load power is an ongoing challenge.
- There is the potential of new legislation by the Federal and/or State legislature to establish Green Energy and Energy Efficiency requirements for all electric utilities.

CONTACTING THE UTILITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Utility's finances and to show the Utility's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Laurens Municipal Power and Communications Utility, 272 N. Third Street, Laurens, Iowa.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

Exhibit A

	<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
<u>CAPITAL ASSETS</u>			
Land		\$ 80,546	\$ 80,559
Plant in service		9,671,587	9,411,983
Construction in progress		<u>42,957</u>	<u>139,222</u>
		9,795,090	9,631,764
Less accumulated depreciation		<u>6,288,814</u>	<u>5,969,401</u>
Total capital assets		<u>3,506,276</u>	<u>3,662,363</u>
<u>OTHER ASSETS</u>			
Plant acquisition costs - net of amortization of \$101,722 in 2009 and \$96,878 in 2008		11,140	15,984
Notes receivable - non-current portion		548,797	556,597
Common transmission system - capital improvement fund		238,785	243,257
NIMECA - emissions funds		22,928	3,546
Investments		-	200,000
Bond issuance costs - net of amortization of \$2,750 in 2009 and \$809 in 2008		5,660	7,601
Bond improvement fund		100,000	100,000
Bond reserve fund		143,500	143,500
Bond retirement sinking fund		26,661	27,326
Deferred patronage refund receivable		<u>50,048</u>	<u>43,601</u>
Total other assets		<u>1,147,519</u>	<u>1,341,412</u>
<u>CURRENT ASSETS</u>			
Cash and cash equivalents		26,661	27,326
Temporary cash investments		556,500	856,500
Accounts receivable (less provision for doubtful accounts of \$22,000 in 2009 and \$16,000 in 2008)		382,879	328,992
Notes receivable - current portion		7,800	7,420
Joint use contract receivable		175,000	175,000
Inventories		253,650	271,492
Accrued interest receivable		20,888	42,434
Prepaid expenses		<u>14,685</u>	<u>30,264</u>
Total current assets		<u>1,438,063</u>	<u>1,739,428</u>
Total assets		<u>\$ 6,091,858</u>	<u>\$ 6,743,203</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT

BALANCE SHEETS
DECEMBER 31, 2009 AND 2008

Exhibit A
(Continued)

LIABILITIES AND NET ASSETS

	<u>2009</u>	<u>2008</u>
<u>LONG-TERM DEBT, LESS CURRENT MATURITIES</u>		
Electric revenue bonds - net (note 3)	\$ 598,674	\$ 885,302
<u>CURRENT AND ACCRUED LIABILITIES</u>		
Current maturities of revenue bonds	300,000	290,000
Due to communications utility	231,875	383,684
Accounts payable	104,005	132,610
Customer deposits	30,383	27,166
Other current and accrued liabilities	<u>52,310</u>	<u>54,871</u>
Total current and accrued liabilities	<u>718,573</u>	<u>888,331</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	2,607,602	2,487,061
Restricted	270,161	270,826
Unrestricted - designated	261,713	246,803
Unrestricted	<u>1,635,135</u>	<u>1,964,880</u>
Total net assets	<u>4,774,611</u>	<u>4,969,570</u>
 Total liabilities and net assets	 <u>\$ 6,091,858</u>	 <u>\$ 6,743,203</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Exhibit B

	<u>2009</u>	<u>2008</u>
<u>OPERATING REVENUES</u>	<u>\$ 2,303,380</u>	<u>\$ 2,433,786</u>
<u>OPERATING EXPENSES</u>		
Cost of power	1,437,820	1,335,810
Depreciation and amortization	400,041	389,076
Administrative and general expense	244,483	241,235
Transmission expense	59,810	61,722
Distribution expenses - maintenance	71,769	55,310
Distribution expenses - operations	98,750	64,498
Taxes	29,920	28,958
Customers' accounts expense	13,036	11,608
Total operating expenses	<u>2,355,629</u>	<u>2,188,217</u>
Operating income (loss)	(52,249)	245,569
<u>NON-OPERATING REVENUE AND EXPENSE</u>		
Revenues from merchandising	13,257	25,860
Costs of merchandising	<u>9,862</u>	<u>17,738</u>
Gross profit	3,395	8,122
Interest earned on investments	69,074	96,985
Amortization of bond issue costs	(1,941)	(2,212)
Interest expense	(50,620)	(68,983)
Loss on Sutherland Project	(89,200)	-
Deferred patronage allocations	<u>6,447</u>	<u>3,114</u>
Non-operating income (loss)	<u>(62,845)</u>	<u>37,026</u>
Change in net assets	(115,094)	282,595
Net assets, beginning of year	4,969,570	4,770,553
Less: Residual equity transfer to City – activity funding	(50,000)	(50,000)
Residual equity transfer to City - donation	<u>(29,865)</u>	<u>(33,578)</u>
Net assets, end of year	<u>\$ 4,774,611</u>	<u>\$ 4,969,570</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Exhibit C

	<u>2009</u>	<u>2008</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Cash received from customers	\$ 2,246,710	\$ 2,426,028
Cash paid to suppliers for goods and services	(1,682,159)	(1,674,429)
Cash paid to employees for services	<u>(264,510)</u>	<u>(227,831)</u>
Net cash provided by operating activities	<u>300,041</u>	<u>523,768</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Advances from (to) telecommunications utility	(151,809)	60,938
Payments to city	<u>(79,865)</u>	<u>(83,578)</u>
Net cash used in non-capital financing activities	<u>(231,674)</u>	<u>(22,640)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Acquisition and construction of utility plant	(247,323)	(212,703)
Payment of bond costs	-	(8,409)
Principal paid on bonds	(290,000)	(1,660,000)
Bond proceeds received	-	1,416,345
Interest paid on bonds	<u>(37,912)</u>	<u>(63,775)</u>
Net cash used in capital and related financing activities	<u>(575,235)</u>	<u>(528,542)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Investments matured or sold	1,500,000	1,043,500
Purchase of investments	(1,098,754)	(1,225,782)
Collections on notes receivable	7,420	6,474
Sale of resale merchandise	13,257	25,860
Purchase of resale merchandise	(9,862)	(17,738)
Interest received	93,477	96,971
Release of restricted investments	665	130,000
Purchase of restricted cash	<u>-</u>	<u>(4,545)</u>
Net cash provided by investing activities	<u>506,203</u>	<u>54,740</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	(665)	27,326
Cash and cash equivalents at beginning of year	<u>27,326</u>	<u>-</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 26,661</u>	<u>\$ 27,326</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Exhibit C
(Continued)

	<u>2009</u>	<u>2008</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH</u>		
<u>PROVIDED BY OPERATING ACTIVITIES:</u>		
Operating income (loss)	\$ (52,249)	\$ 245,569
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation and amortization	400,041	389,076
Provisions for bad debts	6,000	5,000
Changes in assets and liabilities:		
Increase in accounts receivable	(59,887)	(16,367)
Decrease (increase) in inventory	17,842	(120,181)
Decrease in prepaid expenses	15,579	5,673
Increase (decrease) in accounts payable	(28,605)	5,740
Increase in other liabilities	<u>1,320</u>	<u>9,258</u>
Total adjustments	<u>352,290</u>	<u>278,199</u>
Net cash provided by operating activities	<u>\$ 300,041</u>	<u>\$ 523,768</u>

The accompanying notes are an integral part of this statement.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Laurens Municipal Light and Power Plant is a component unit of City of Laurens. The Mayor appoints the trustees of the Utility subject to approval by the City Council. The City Council also approves the Utility's operating budget.

Laurens Municipal Light and Power Plant generates and distributes electric energy to consumers in Laurens, Iowa. Sales of electricity are billed on the twenty-fifth of each month for usage through the fifteenth of the month. As has been done in prior years, an unbilled receivable in the amount of \$116,038 has been recorded (\$102,272 at December 31, 2008) for the period December 15 through December 31. Laurens Municipal Light and Power Plant is billed by their suppliers on a calendar month basis.

The Utility's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standard Board.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reporting Entity

For financial reporting purposes, Laurens Municipal Light and Power Plant has included all funds. The Utility has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Utility are such that exclusion would cause the Utility's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the Utility. Laurens Municipal Light and Power Plant has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

The accounts of Laurens Municipal Light and Power Plant are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Measurement Focus and Basis of Accounting - (Continued)

The Utility applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The Utility distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Utility's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash, Investments, and Cash Equivalents - Investments are carried at cost which approximates market value. For the purpose of reporting cash flows, cash and cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories - Inventories are stated at the lower of cost or replacement value. Cost is determined on a weighted average method.

Utility Plant - Utility plant is stated at cost. Cost of labor, materials, supervision, and other costs incurred making improvements and replacements to the system, except minor replacements, are charged to the plant accounts while such costs incurred in making normal repairs, minor replacements, and maintaining the assets in efficient operating condition are charged to expense.

Provisions for depreciation of generating, transmission, and distribution plant are computed on a straight-line basis employing a group method. The original costs of assets retired (not constituting the sale of an operating unit or system) together with the costs of removal less salvage are charged to the related accumulated depreciation accounts. In accounting for the sale of operating units or systems, gains or losses are reflected in net revenue.

Provisions for depreciation of general plant are computed on a straight-line basis employing the unit depreciation method. The original cost of property retired is removed from the general plant accounts and the related accumulated depreciation accounts are charged for the depreciation taken to date. Gain or loss is recognized to the extent that the salvage value of the assets retired exceeds or falls short of the remaining book value of the assets retired.

Amortization - The cost of acquiring a portion of the common transmission system is being amortized over the remaining useful life of the assets.

Legal fees and other expenses associated with the issuance of the electric revenue notes are being amortized on the straight-line method over the term of the bonds. Amortization charged to expense in 2009 and 2008 was \$1,941 and \$2,212.

Compensated Absences - Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. The Utility's liability for accumulated vacation has been computed based on rates of pay in effect at December 31, 2009.

Budgets and Budgetary Accounting - The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended December 31, 2009 expenses exceeded the amount budgeted.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

2. DEPOSITS

The Utility's deposits in banks at December 31, 2009, were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the Utility had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$3,237 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The Utility's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Utility.

The Utility had no investments meeting the disclosure requirements of Governmental Auditing Standards Board Statement Number 3, as amended by Statement 40.

3. ELECTRIC REVENUE BONDS

Changes in the electric revenue bonds for the year ended December 31, 2009 are as follows:

	Beginning Balance	Issued	Paid	Ending Balance
2008 Electric refunding notes	\$ 1,210,000	\$ -	\$ 290,000	\$ 920,000
Less: Current maturities	(290,000)			(300,000)
Unamortized discount	(15,761)			(9,687)
Unamortized refunding charges	(18,937)			(11,639)
	<u>\$ 885,302</u>			<u>\$ 598,674</u>

Changes in the electric revenue bonds for the year ended December 31, 2008 are as follows:

	Beginning Balance	Issued	Paid	Ending Balance
1998 Electric refunding notes	\$ 1,435,000	\$ -	\$ 1,435,000	\$ -
2008 Electric refunding notes	-	1,435,000	225,000	1,210,000
Subtotal	1,435,000	<u>\$ 1,435,000</u>	<u>\$ 1,660,000</u>	1,210,000
Less: Current maturities	(205,000)			(290,000)
Unamortized discount	(8,551)			(15,761)
Unamortized refunding charges	-			(18,937)
	<u>\$ 1,221,449</u>			<u>\$ 885,302</u>

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

3. ELECTRIC REVENUE BONDS – (Continued)

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending December 31,	Revenue Bonds		Total
	Principal	Interest	
2010	\$ 300,000	\$ 29,937	\$ 329,937
2011	305,000	20,937	325,937
2012	315,000	11,025	326,025
	<u>\$ 920,000</u>	<u>\$ 61,899</u>	<u>\$ 981,899</u>

The resolutions providing for the issuance of revenue bonds include the following provisions:

- A. The bonds will only be redeemed from the future earnings of the enterprise activity and the bondholders hold a lien on the future earnings of the funds.
- B. Sufficient monthly transfers shall be made to electric revenue sinking account for the purpose of making the bond principal and interest payments when due.
- C. The Utility is to establish a separate Bond Reserve Account into which there shall be set apart and paid at the time of delivery of the obligations the sum of \$143,500.
- D. Additional monthly transfers of \$2,000 to the Bond Improvement Fund shall be made until the sum of \$100,000 has been accumulated. This account is restricted for the purpose of paying for necessary repairs, improvements, and extension to the system.

In August 2008 the Utility issued \$1,435,000 of electric refunding capital loan notes for a current refunding of \$1,435,000 of electric revenue bonds of the Utility. The refunding was undertaken to lower the interest cost to the Utility. The reacquisition price exceeded the net carrying amount of the old debt by \$22,414. This amount is being netted against the new debt and amortized over the new debt's life, which is shorter than the refunded debt. The transaction resulted in an economic gain of \$41,204 and a reduction of \$127,500 in future debt service payments.

4. RESTRICTED AND DESIGNATED NET ASSETS

Net assets have been restricted and designated in amounts necessary to fund the following specific reserves:

	2009	2008
Restricted:		
Bond retirement sinking fund	\$ 26,661	\$ 27,326
Bond reserve fund	143,500	143,500
Bond improvement fund	100,000	100,000
	<u>\$ 270,161</u>	<u>\$ 270,826</u>
Unrestricted:		
Designated:		
NIMECA emissions fund	\$ 22,928	\$ 3,546
Common transmission system - capital improvement fund	238,785	243,257
	<u>261,713</u>	<u>246,803</u>
Undesignated	1,635,135	1,964,880
	<u>\$ 1,896,848</u>	<u>\$ 2,211,683</u>

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

5. CAPITAL ASSETS AND DEPRECIATION PROCEDURES

Capital asset activity for the year ended December 31, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 80,559	\$ -	\$ 13	\$ 80,546
Construction in progress	<u>139,222</u>	<u>-</u>	<u>96,265</u>	<u>42,957</u>
Total capital assets not being depreciated	<u>219,892</u>	<u>-</u>	<u>96,278</u>	<u>123,503</u>
Capital assets being depreciated:				
Generating plant	2,488,006	5,479	3,465	2,490,020
Transmission plant	1,064,935	7,321	3,138	1,069,118
Transmission plant – Corn Belt	1,222,348	76,422	23,544	1,275,226
Distribution plant	1,794,848	141,329	41,067	1,895,110
Communication plant	2,548,036	63,466	-	2,611,502
Other equipment	<u>293,810</u>	<u>36,801</u>	<u>-</u>	<u>330,611</u>
Total capital assets being depreciated	<u>9,411,983</u>	<u>330,818</u>	<u>71,214</u>	<u>9,671,587</u>
Less accumulated depreciation for:				
Generating plant	2,125,669	67,563	3,465	2,189,767
Transmission plant	505,643	27,885	3,138	530,390
Transmission plant – Corn Belt	562,517	33,268	28,120	567,665
Distribution plant	837,598	49,577	41,067	846,108
Communication plant	1,721,989	206,860	-	1,928,849
Other equipment	<u>216,391</u>	<u>10,043</u>	<u>-</u>	<u>226,434</u>
Total accumulated depreciation	<u>5,969,807</u>	<u>395,196</u>	<u>75,790</u>	<u>6,289,213</u>
Less retirement work in progress	<u>(406)</u>	<u>-</u>	<u>(7)</u>	<u>(399)</u>
Net accumulated depreciation	<u>5,969,401</u>	<u>395,196</u>	<u>75,783</u>	<u>6,288,814</u>
Total capital assets being depreciated, net	<u>3,442,582</u>	<u>(64,378)</u>	<u>(4,569)</u>	<u>3,382,773</u>
Net capital assets	<u>\$ 3,662,363</u>	<u>\$ (64,378)</u>	<u>\$ 91,709</u>	<u>\$ 3,506,276</u>

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

5. CAPITAL ASSETS AND DEPRECIATION PROCEDURES – (Continued)

Capital asset activity for the year ended December 31, 2008 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 79,912	\$ 647	\$ -	\$ 80,559
Construction in progress	32,955	106,267	-	139,222
Total capital assets not being depreciated	<u>112,867</u>	<u>106,914</u>	<u>-</u>	<u>219,781</u>
Capital assets being depreciated:				
Generating plant	2,484,523	6,320	2,837	2,488,006
Transmission plant	1,065,117	-	182	1,064,935
Transmission plant – Corn Belt	1,164,294	60,425	2,371	1,222,348
Distribution plant	1,784,321	11,974	1,447	1,794,848
Communication plant	2,523,803	24,233	-	2,548,036
Other equipment	291,138	2,672	-	293,810
Total capital assets being depreciated	<u>9,313,196</u>	<u>105,624</u>	<u>6,837</u>	<u>9,411,983</u>
Less accumulated depreciation for:				
Generating plant	2,060,749	67,757	2,837	2,125,669
Transmission plant	477,811	27,832	-	505,643
Transmission plant – Corn Belt	533,256	31,743	2,482	562,517
Distribution plant	791,078	47,967	1,447	837,598
Communication plant	1,521,605	200,384	-	1,721,989
Other equipment	207,842	8,549	-	216,391
Total accumulated depreciation	<u>5,592,341</u>	<u>384,232</u>	<u>6,766</u>	<u>5,969,807</u>
Less retirement work in progress	<u>(170)</u>	<u>-</u>	<u>(236)</u>	<u>(406)</u>
Net accumulated depreciation	<u>5,592,171</u>	<u>384,232</u>	<u>7,002</u>	<u>5,969,401</u>
Total capital assets being depreciated, net	<u>3,721,025</u>	<u>(278,608)</u>	<u>(165)</u>	<u>3,442,582</u>
Net capital assets	<u>\$ 3,883,892</u>	<u>\$ (171,694)</u>	<u>\$ (165)</u>	<u>\$ 3,662,363</u>

Provision for depreciation and amortization has been computed at straight-line rates over the estimated useful lives of the property.

The Utility had invested \$137,188 in the development and construction of Sutherland Generating Station Unit 4. Construction of this facility has been cancelled and the Utility negotiated a return of \$47,988 resulting in a loss of \$89,200.

6. NOTES RECEIVABLE

On January 1, 2004, the Utility received a note for \$194,025 in exchange for the construction of a 69/12.5 KV substation for the City of Marathon. The note requires monthly payments of \$1,288 including interest of 5.00% through February 2024. On March 24, 2005, the Utility loaned \$400,000 to Laurens Industrial Foundation, Inc. to be used for economic development within the city. The terms of the note are interest only for the first five years with the principal balance due March 24, 2010. On March 24, 2010, the note was renewed for an additional five years at an interest rate of 5%. The terms of the note are interest only for the first five years with the principal balance due March 24, 2015.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

7. COMMON TRANSMISSION SYSTEM – CAPITAL IMPROVEMENT FUND

This account is currently used to record funds deposited with NIMECA to be used for future construction and/or maintenance of the common transmission.

8. PENSION AND RETIREMENT BENEFITS

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% (4.10% through June 30, 2009) of their annual covered salary and the Utility is required to contribute 6.65% (6.35% through June 30, 2009) of annual covered salary. Contribution requirements are established by State statute. The Utility's contribution to IPERS for the years ending December 31, 2009, 2008, and 2007, were \$14,841, \$12,138, and \$12,188, respectively, equal to the required contributions for each year.

9. RISK MANAGEMENT

Laurens Municipal Light and Power Plant is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. SIGNIFICANT AREA CONCENTRATION OF CREDIT RISK

The Utility extends credit to its customers on terms no more favorable than standard terms of the industry it serves. A substantial portion of the Utility's customers are located in Laurens, Iowa. The Utility's credit risks have been anticipated and management believes that adequate provision has been made for doubtful accounts.

11. RELATED PARTY TRANSACTION

Pursuant to Iowa Code Chapter 28E.18 concerning the joint use of facilities through sharing agreements, the Laurens Municipal Light and Power Plant and the Laurens Municipal Broadband Communications Utility have entered into an agreement whereby the Communications Utility shall pay the Electric Utility the sum of \$175,000 on or before the first day of June each year for the use of a portion of the Communications distribution system for the previous calendar year. The term of this agreement is forty years and the payments are due June 1, of each year.

REQUIRED SUPPLEMENTARY INFORMATION

LAURENS MUNICIPAL LIGHT AND POWER PLANT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS - BUDGET AND ACTUAL
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2009

	<u>Actual</u>	<u>Budgeted Amounts Original and Final</u>	<u>Final to Actual Variance</u>
Revenues:			
Use of money and property	\$ 69,074	\$ 110,000	\$ (40,926)
Charges for services	2,127,850	2,400,000	(272,150)
Miscellaneous	<u>195,234</u>	<u>225,000</u>	<u>(29,766)</u>
	2,392,158	2,735,000	(342,842)
Expenses	<u>2,507,252</u>	<u>2,418,000</u>	<u>(89,252)</u>
Net	(115,094)	317,000	(432,094)
Net assets, beginning of year	4,969,570	4,942,553	27,017
Residual equity transfer to City – funding	(50,000)	(50,000)	-
Residual equity transfer to City – donation	<u>(29,865)</u>	<u>-</u>	<u>(29,865)</u>
Net assets, end of year	<u>\$ 4,774,611</u>	<u>\$ 5,209,553</u>	<u>\$ (434,942)</u>

See accompanying independent auditor's report.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
DECEMBER 31, 2009

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the accrual basis following required public notice and hearing. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

The Utility's budget was not amended during the year but expenses exceeded the amount budgeted.

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W.J. HUNZELMAN, C.P.A. 1921-1997

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STORM LAKE, IOWA 50588
712-732-3653
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Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

The primary purpose of our examination was to formulate an opinion on the financial statements taken as a whole. The additional information presented in the following pages was prepared on the basis of audit procedures applied in our examination of the financial statements. This information, while not considered necessary for fair presentation of the financial statements is, in our opinion, fairly stated in all material respects when considered in relation to the financial statements taken as a whole.

June 18, 2010

Hunzelman, Putzier & Co.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2008 Total</u>
<u>OPERATING REVENUES</u>				
Sales of electrical energy:				
Residential	\$ 698,233	\$ -	\$ 698,233	\$ 683,048
Commercial	857,649	-	857,649	894,523
Resale	452,857	-	452,857	564,815
Marathon	105,294	-	105,294	89,835
Forfeited discounts	4,558	-	4,558	4,269
Sales of steam	9,259	-	9,259	11,632
Miscellaneous	530	-	530	10,664
Joint use agreement	-	175,000	175,000	175,000
Total operating revenue	<u>2,128,380</u>	<u>175,000</u>	<u>2,303,380</u>	<u>2,433,786</u>
<u>OPERATING EXPENSES</u>				
Purchased energy	<u>1,008,797</u>	<u>-</u>	<u>1,008,797</u>	<u>942,464</u>
Generating plant - local:				
Operating supervision and labor	24,564	-	24,564	24,067
Fuel	1,764	-	1,764	1,999
Operating supplies	719	-	719	607
Maintenance and repairs	1,388	-	1,388	2,628
Buildings and grounds maintenance and repairs	6,283	-	6,283	8,337
Depreciation	<u>3,930</u>	<u>-</u>	<u>3,930</u>	<u>3,930</u>
Total local generating plant expenses	<u>38,648</u>	<u>-</u>	<u>38,648</u>	<u>41,568</u>
Generating plant - Neal 4:				
Fuel	222,470	-	222,470	231,700
Maintenance and repairs	102,877	-	102,877	58,777
Operating	54,078	-	54,078	51,282
Property taxes	26,297	-	26,297	24,948
Depreciation	63,633	-	63,633	63,827
Other	<u>14,880</u>	<u>-</u>	<u>14,880</u>	<u>13,949</u>
Total Neal 4 generating plant expenses	<u>484,235</u>	<u>-</u>	<u>484,235</u>	<u>444,483</u>
Distribution system - electric:				
Line and station supervision and labor	21,146	-	21,146	15,611
Line and station supplies and expense	24,477	-	24,477	2,799
Street lighting and signals labor and expense	94	-	94	125
Customers' installation expense	8,649	-	8,649	14,862
Miscellaneous distribution expense	4,467	-	4,467	2,577
Maintenance of lines	36,165	-	36,165	24,176
Maintenance of line transformers	7,105	-	7,105	5,262
Maintenance of street lighting and signal systems	1,909	-	1,909	2,768
Maintenance of meters	3,804	-	3,804	5,069
Depreciation	<u>49,577</u>	<u>-</u>	<u>49,577</u>	<u>47,967</u>
Total electric distribution expense	<u>157,393</u>	<u>-</u>	<u>157,393</u>	<u>121,216</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2008 Total</u>
OPERATING EXPENSES - (Continued)				
Distribution system - communications:				
Line and station supervision labor	\$ -	\$ 716	\$ 716	\$ 937
Operating supplies and expense	-	3,355	3,355	3,341
Customers' installation expense	-	35,846	35,846	24,246
Line maintenance	-	3,628	3,628	1,777
Nodes, amps, and peds maintenance	-	15,506	15,506	13,989
Voice port maintenance	-	3,652	3,652	2,269
Property taxes	-	3,623	3,623	4,010
Depreciation expense	-	206,860	206,860	200,384
Total communications				
distribution expense	-	273,186	273,186	250,953
Transmission system:				
Amortization	4,844	-	4,844	4,844
Depreciation	61,153	-	61,153	59,575
Capacity assignment costs	26,072	-	26,072	26,072
Other	33,738	-	33,738	35,650
Total transmission system expenses	125,807	-	125,807	126,141
Customers' accounts expense:				
Bad debt expense (recoveries)	6,000	-	6,000	4,887
Meter reading labor	7,036	-	7,036	6,721
Total customer accounts expense	13,036	-	13,036	11,608
Administrative and general expense:				
Administrative and general salaries	86,276	-	86,276	79,893
Conservation expense	8,889	-	8,889	6,451
Office supplies and postage	12,117	-	12,117	10,833
Audits, legal, and consultation services	13,091	-	13,091	20,842
Property insurance	12,293	-	12,293	10,133
Compensation insurance	2,206	-	2,206	4,367
Employees' group insurance	34,205	-	34,205	33,294
Trustees' fees	900	-	900	900
Dues and subscriptions	5,742	-	5,742	4,632
Franchise requirements - cash				
payments to City of Laurens	30,000	-	30,000	30,000
Franchise requirement - cost of				
services to City of Laurens	8,466	-	8,466	18,113
Legal publications	1,956	-	1,956	1,813
Advertising and promotion	3,312	-	3,312	1,989
Convention, meeting, and travel expense	1,677	-	1,677	2,414
Depreciation	10,044	-	10,044	8,549
Bank service charges	309	-	309	457
Motor vehicle and work equipment expense	12,845	-	12,845	10,298
Miscellaneous	10,199	-	10,199	4,806
Total administrative and general expense	254,527	-	254,527	249,784
Total operating expense	2,082,443	273,186	2,355,629	2,188,217
Operating income (loss)	45,937	(98,186)	(52,249)	245,569

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>Electric</u>	<u>Electric Communications</u>	<u>Total</u>	<u>2008 Total</u>
<u>NON-OPERATING REVENUE AND</u>				
<u>EXPENSE</u>				
Revenues from merchandising			\$ 13,257	\$ 25,860
Costs of merchandising			<u>9,862</u>	<u>17,738</u>
Gross profit (loss)			3,395	8,122
Interest earned on investments			69,074	96,985
Amortization of bond issue costs			(1,941)	(2,212)
Interest expense			(50,620)	(68,983)
Loss on Sutherland Project			(89,200)	-
Deferred patronage allocations			<u>6,447</u>	<u>3,114</u>
Non-operating income (loss)			<u>(62,845)</u>	<u>37,026</u>
Net Income (loss)			<u>\$ (115,094)</u>	<u>\$ 282,595</u>

LAURENS MUNICIPAL LIGHT AND POWER PLANT

ELECTRIC PLANT

DECEMBER 31, 2009

Schedule 1

	Utility Plant				Depreciation Rate	Accumulated Depreciation				Balance December 31, 2009
	Balance January 1, 2009	Additions	Transfers	Deletions		Balance January 1, 2009	Expense	Transfers	Retirements	
<u>Generating Plant - Local</u>										
Land and land rights	\$ 6,000	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	93,899	-	-	-	3.25	87,589	3,052	-	-	90,641
Fuel holders, producers and accessories	29,273	-	-	-	3.00	15,523	878	-	-	16,401
Generators	305,326	-	-	-	3.00	305,326	-	-	-	305,326
Accessory equipment	76,083	-	-	-	3.00	76,083	-	-	-	76,083
	<u>510,581</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>484,521</u>	<u>3,930</u>	<u>-</u>	<u>-</u>	<u>488,451</u>
<u>Generating Plant - Neal 4</u>										
Land and land rights	3,047	-	-	-	0.00	-	-	-	-	-
Structures and improvements	267,570	1,628	-	442	3.25	238,306	8,715	-	442	246,579
Boiler plant equipment	1,211,123	2,360	-	2,088	3.25	998,719	39,366	-	2,088	1,035,997
Generators	276,020	-	-	-	3.00	220,180	8,281	-	-	228,461
Accessory equipment	200,556	-	-	49	3.00	170,066	6,016	-	49	176,033
Miscellaneous power plant equipment	17,222	885	-	202	3.25	13,877	571	-	202	14,246
Other equipment	10,934	606	-	684	3.25	-	684	-	684	-
	<u>1,986,472</u>	<u>5,479</u>	<u>-</u>	<u>3,465</u>		<u>1,641,148</u>	<u>63,633</u>	<u>-</u>	<u>3,465</u>	<u>1,701,316</u>
<u>Transmission Plant - Local</u>										
Land and land rights	2,759	-	-	-	0.00	-	-	-	-	-
Station equipment	900,273	-	-	-	2.60	405,170	23,408	-	-	428,578
	<u>903,032</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>405,170</u>	<u>23,408</u>	<u>-</u>	<u>-</u>	<u>428,578</u>
<u>Transmission Plant - Other</u>										
Land and land rights	5,634	-	-	-	0.00	-	-	-	-	-
Structures and improvements	3,938	-	-	-	3.25	3,246	128	-	-	3,374
Station equipment	83,352	7,321	-	3,138	2.60	40,978	2,222	-	3,138	40,062
Towers and fixtures	60,885	-	-	-	2.75	43,806	1,674	-	-	45,480
Conductors and devices	16,487	-	-	-	2.75	12,443	453	-	-	12,896
	<u>170,296</u>	<u>7,321</u>	<u>-</u>	<u>3,138</u>		<u>100,473</u>	<u>4,477</u>	<u>-</u>	<u>3,138</u>	<u>101,812</u>
<u>Transmission Plant - Corn Belt</u>										
Land and land rights	62,064	-	-	13	0.00	-	-	-	-	-
Structures and improvements	1,018,983	76,422	-	23,544	2.75	411,051	28,749	-	28,120	411,680
Original local line	39,008	-	-	-	2.75	39,008	-	-	-	39,008
West sub tie line	122,816	-	-	-	2.75	107,319	3,377	-	-	110,696
Marathon substation	41,541	-	-	-	2.75	5,139	1,142	-	-	6,281
	<u>1,284,412</u>	<u>76,422</u>	<u>-</u>	<u>23,557</u>		<u>562,517</u>	<u>33,268</u>	<u>-</u>	<u>28,120</u>	<u>567,665</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT

ELECTRIC PLANT

DECEMBER 31, 2009

Schedule 1

(Continued)

	Utility Plant						Accumulated Depreciation				
	Balance January 1, 2009	Additions	Transfers	Deletions	Balance December 31, 2009	Depreciation Rate	Balance January 1, 2009	Expense	Transfers	Retirements	Balance December 31, 2009
<u>Distribution System</u>											
Land and land rights	\$ 1,055	\$ -	\$ -	\$ -	\$ 1,055	0.00%	\$ -	\$ -	\$ -	\$ -	\$ -
Structures and improvements	11,525	-	-	-	11,525	2.50	10,403	387	-	-	10,790
Station equipment	37,085	-	-	-	37,085	2.90	37,085	-	-	-	37,085
Poles, towers and equipment	6,843	-	-	-	6,843	3.25	6,843	-	-	-	6,843
Overhead conductors and devices	-	-	-	-	-	2.50	-	-	-	-	-
Underground conduits	2,395	-	-	-	2,395	2.60	2,395	-	-	-	2,395
Underground conductors and devices	6,888	-	-	-	6,888	2.60	6,125	179	-	-	6,304
Line transformers	422,861	-	-	-	422,861	2.80	184,853	11,873	-	-	196,726
Services	15,314	-	-	-	15,314	3.30	14,489	505	-	-	14,994
Meters	107,698	-	-	-	107,698	3.10	67,936	3,339	-	-	71,275
Installation on customers premises	2,674	-	-	-	2,674	4.00	2,242	107	-	-	2,349
Street lighting and signal system	85,610	-	-	-	85,610	4.00	85,610	-	-	-	85,610
Underground primary systems	734,573	141,329	-	41,067	834,835	2.90	143,700	22,756	-	41,067	125,389
Underground secondary systems	156,035	-	-	-	156,035	2.90	119,129	4,525	-	-	123,654
Underground customer service	203,646	-	-	-	203,646	2.90	155,087	5,906	-	-	160,993
Fire siren	212	-	-	-	212	4.00	212	-	-	-	212
Special services for customers	1,489	-	-	-	1,489	4.00	1,489	-	-	-	1,489
	<u>1,795,903</u>	<u>141,329</u>	<u>-</u>	<u>41,067</u>	<u>1,896,165</u>		<u>837,598</u>	<u>49,577</u>	<u>-</u>	<u>41,067</u>	<u>846,108</u>
<u>Other Equipment</u>											
Structures and improvements	55,008	-	-	-	55,008	2.5-5.0	16,925	1,765	-	-	18,690
Office furniture and fixtures	35,059	-	-	-	35,059	6.7-20.0	28,894	1,670	-	-	30,564
Transportation equipment	29,360	36,801	-	-	66,161	10.0-14.3	29,360	2,823	-	-	32,183
Stores equipment	497	-	-	-	497	5.0	497	-	-	-	497
Shop equipment	17,944	-	-	-	17,944	3.3-20.0	17,552	73	-	-	17,625
Laboratory equipment	19,561	-	-	-	19,561	5.0-10.0	16,332	920	-	-	17,252
Work equipment	113,499	-	-	-	113,499	5.0-20.0	83,949	2,792	-	-	86,741
Communication equipment	21,593	-	-	-	21,593	5.0-10.0	21,593	-	-	-	21,593
Miscellaneous equipment	1,289	-	-	-	1,289	20.0	1,289	-	-	-	1,289
	<u>293,810</u>	<u>36,801</u>	<u>-</u>	<u>-</u>	<u>330,611</u>		<u>216,391</u>	<u>10,043</u>	<u>-</u>	<u>-</u>	<u>226,434</u>
<u>Communication Distribution System</u>											
Conduit	64,486	19,080	-	-	83,566	5.00	31,316	3,701	-	-	35,017
Fiber and cable	810,524	5,661	-	-	816,185	5.00	344,977	40,668	-	-	385,645
Power supplies	292,933	8,777	-	-	301,710	14.29	292,933	439	-	-	293,372
Nodes	172,411	-	-	-	172,411	10.00-20.0	116,426	23,565	-	-	139,991
Amps	293,288	-	-	-	293,288	10.00-20.0	250,266	34,662	-	-	284,928
Pedestals	77,337	4,057	-	-	81,394	10.00-20.0	71,922	8,857	-	-	80,779
Voice ports	685,880	25,891	-	-	711,771	10.00-20.00	522,993	78,355	-	-	601,348
System passives	93,367	-	-	-	93,367	10.00-20.0	62,357	13,722	-	-	76,079
Head end building	57,810	-	-	-	57,810	5.00	28,799	2,891	-	-	31,690
	<u>2,548,036</u>	<u>63,466</u>	<u>-</u>	<u>-</u>	<u>2,611,502</u>		<u>1,721,989</u>	<u>206,860</u>	<u>-</u>	<u>-</u>	<u>1,928,849</u>

(Continued)

LAURENS MUNICIPAL LIGHT AND POWER PLANT
ELECTRIC PLANT
DECEMBER 31, 2009

Schedule 1
(Continued)

	Utility Plant				Depreciation Rate	Accumulated Depreciation				Balance December 31, 2009
	Balance January 1, 2009	Additions	Transfers	Deletions		Balance January 1, 2009	Expense	Transfers	Retirements	
Total electric plant in service	<u>\$ 9,492,542</u>	<u>\$ 330,818</u>	<u>\$ -</u>	<u>\$ 71,227</u>		<u>\$ 5,969,807</u>	<u>\$ 395,196</u>	<u>\$ -</u>	<u>\$ 75,790</u>	<u>\$ 6,289,213</u>
Construction in progress	<u>139,222</u>	<u>(96,265)</u>	<u>-</u>	<u>-</u>		<u>(406)</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>(399)</u>
Total utility plant	<u>\$ 9,631,764</u>	<u>\$ 234,553</u>	<u>\$ -</u>	<u>\$ 71,227</u>		<u>\$ 5,969,401</u>	<u>\$ 395,196</u>	<u>\$ -</u>	<u>\$ 75,783</u>	<u>\$ 6,288,814</u>

HUNZELMAN, PUTZIER & CO., PLC
CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
RICHARD R. MOORE, C.P.A.
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Laurens Municipal Light and Power Plant
Laurens, Iowa

We have audited the accompanying financial statements of Laurens Municipal Light and Power Plant, as of and for the year ended December 31, 2009, and have issued our report thereon dated June 18, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Utility's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Utility's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Utility's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Utility's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the Utility's financial statements that is more than inconsequential will not be prevented or detected by the Utility's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the Utility's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Utility's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utility. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The Utility's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Utility's responses, we did not audit the responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of Laurens, Iowa and other parties to whom Laurens Municipal Light and Power Plant may report. This report is not intended to be and should not be used by anyone other than these specified parties.

June 18, 2010

Hunglman, Putzier & Co.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2009

Part I: Findings Related to the Financial Statements

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that bank deposits, opening mail, recording receipts and disbursements, checks and payroll preparation, and bank reconciliations are all handled by two individuals.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the Utility should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The Board of Trustees along with the General Manager will review the financial statements and internal control procedures, in detail, every month. The duties of opening mail, bank deposits, recording receipts and disbursements, bank reconciliations and payroll preparation will be monitored daily by the General Manager. The Utility will continue to require two (2) signatures on all check disbursements.

Conclusion - Response accepted.

- (B) Financial Reporting - We noted that while management is capable of preparing accurate financial statements that provide information sufficient for Utility board members to make management decisions, reporting financial data reliably in accordance with U.S. generally accepted accounting principles (GAAP) requires management to possess sufficient knowledge and expertise to select and apply accounting principles and prepare year-end financial statements, including footnote disclosures. Management presently lacks the qualifications and training to appropriately fulfill these responsibilities, which is a common situation in small entities.

Recommendation - Obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses should help management significantly improve in the ability to prepare and take responsibility for reliable GAAP financial statements.

Response - The Utility will work to obtain additional training for our staff in order to improve our ability to prepare reliable monthly financial statements. The Utility will continue to work with our auditors on a monthly basis in order to keep our records up to date.

Conclusion - Response accepted.

- (C) Accounts Receivable - We noted that the monthly accounts receivable listing is not reviewed by the Board, and the accounts receivable – merchandise account has some large balances which are over one year old and which have not made any payments in several years.

Recommendation - The Board should review an aged accounts receivable listing periodically and determine accounts which should be classified as uncollectible or should be selected for alternative collection procedures.

Response - The Board of Trustees and the General Manager will review the aged accounts receivable listing at least on an annual basis to determine which accounts should be classified as uncollectible.

Conclusion - Response accepted.

LAURENS MUNICIPAL LIGHT AND POWER PLANT
SCHEDULE OF FINDINGS
YEAR ENDED DECEMBER 31, 2009

Part II: Other Findings Related to Required Statutory Reporting

1. Budget - Utility expenses during the year ended December 31, 2009 exceeded the amounts budgeted.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before expenses were allowed to exceed the budget.

Response - The Board of Trustees and the General Manager will work to improve our financial planning and carefully review the financial statements each month to monitor our expenses as they relate to the budget.

Conclusion - Response accepted.
2. Questionable Expenditures - We noted no expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
3. Travel Expense - No expenditures of Utility money for travel expenses of spouses of Utility officials or employees were noted.
4. Business Transactions - We noted no business transactions between the Utility and Utility officials or employees.
5. Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Trustee Minutes - No transactions were found that we believe should have been approved in the Trustee minutes but were not.
7. Revenue Bonds - The Utility has established the sinking and reserve accounts required by the electric revenue bond resolution.
8. Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa.